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USAID FIRMS PROJECT

# Rapid Appraisal of Agriculture Markets in Punjab

June, 2010

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# Data Page

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# Abstract:

For the formulation of the Provincial Agricultural Marketing Policy Framework, in-depth information regarding the agricultural marketing system in Punjab was required. The literature available on the subject and particularly the literature about mandies (wholesale marketplaces) was somewhat academic in nature. Most documents focus on the fallacies of the current system that create special privileges for commission agents leading to rent-seeking behavior rather than providing insights on market efficiency.

To obtain firsthand information on the issue in a short span of time, a Rapid Market Appraisal was conducted. The appraisal first covered buyers and suppliers at fruit and vegetable markets in large cities, and then those in markets in outlying districts. Processors were also brought into the picture. Thirdly, the appraisal additionally covered retail shops and restaurants, as well as multinational/national chains operating in Pakistan, and worked backwards to distributors, identifying examples of integrated value chains operating in local markets. The fourth section focuses on weekly bazaars operated by the Local District Governments.

Finally, the exercise allowed the investigators to produce several examples of marketing margins—from the amount received by the supplier on one side of the mandi to the amount paid by the retailer on the other side. The retail markup was added to the margins by obtaining prices to consumers at the retail level.

Other observations regarding what happens inside the mandi, i.e. the role of commission agents, wholesalers, hygienic conditions, congestion, traffic control, utilization of space and measurement of product quality, were also made in order to create a more complete picture for policy recommendation.

# Acronyms

FAO	Food and Agriculture Organization
F & V	Fruit and Vegetable
Mandi	Wholesale Market Place
PHC	Pre Harvest Contractor
RMA	Rapid Market Appraisal
RRMA	Rural Rapid Market Appraisal



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# Executive Summary

To obtain firsthand information regarding the agricultural marketing system in Punjab, a Rapid Market Appraisal (RMA) was conducted for thirty days. Although some studies/reports which comment on the problems of current system were available, there was no comprehensive and precise information available regarding market efficiency and market input and output, i.e. who delivers produce and who buys from the markets and value chain development, as it leads to the application of best practices for quality improvement and client satisfaction. In order to get reliable information on all the issues related to functioning/management of markets and to explore the economic behavior of the people inside the market, the FIRMS team applied the above-mentioned technique of Rapid Market Appraisal (originally developed as Rapid Rural Appraisal).

Rapid Market Appraisal (RMA) is an emerging approach, and therefore is still limited. It is the responsibility of the researcher to demonstrate how his or her conclusions were derived from the data and in such a way so that someone else can follow it, and if necessary, replicate the analysis and achieve the same results or dispute those conclusions. For these reasons, this report includes all of the primary information obtained from persons visited at different points in the marketing process.

In the appraisal, the FIRMS team focused on fruit and vegetable markets. First, the buyers and then suppliers at fruit and vegetable markets in large cities were covered. Afterwards, smaller district markets were visited to obtain the relevant information. Similarly, the weekly bazaars operated by Local District Government, processors, restaurants and suppliers to the restaurants were also brought into the ambit of RMA. The chains of grocery stores operating in Pakistan like H. Karim Bukhsh, Pot Pouri and Sawera were also visited to get their views on the subject. During the appraisal process, few examples of integrated value chains, outside the mandi, were also identified.

Finally, the exercise allowed the investigators to produce several examples of marketing margins—from the amount received by the supplier on one side of the Mandi to the amount paid by the retailer on the other side. To the marketing margin, the retail margin was added by obtaining the price charged to consumers at retail outlets.

Following the Rapid Market Appraisal approach, visits to market areas were conducted, usually in the mornings, while group sessions were held in the afternoon. In group sessions, participants reviewed findings, identified points of convergence and of disparity, asked additional questions, explored ideas, and proposed initiatives.

Some of the major findings from the appraisal are summarized as follows:

- Central Mandis in cities such as Lahore, Rawalpindi/Islamabad, Faisalabad are serving as wholesale terminal marketplaces—bringing multiple buyers and suppliers together, clearing the market each day, establishing reference prices. Furthermore, the mandis in smaller districts serve as wholesale cum consumer marketplaces, and sometimes as seasonal collection centers for vegetables in which the region specializes. Fruits, on the other hand, are usually handled in full truckloads and shipped directly from the orchards to terminal Mandis in destination marketplaces.

- The current policy framework and organization of marketplaces scarcely consider the wholesaler and retailer, including requirements for access, space and infrastructure requirements. Areas between the trading platform and main access road are congested, while the areas from the trading platform to back of the market area are underutilized. The inefficiencies of the Mandi organization are passed on to retailers as hidden costs or higher transaction costs due to time taken for purchasing and variations in quality that cause uncertainty about shelf-life.
- The current framework holds back the development of value chains. The frustration of buyers such as groceries, department stores, up-scale shops, restaurants and others with difficulty obtaining quality products provides ample evidence that business opportunities exist in high value markets.
- The current system intends for each Market Committee to be self-financing. Fruit and Vegetable Mandis depend on commission agents to collect fees based on volume. Despite the teams of inspectors that followed up with commission agents to ensure that declarations were accurate, not all transactions were reported. Market Committees that depend on fruit and vegetable Mandis often cannot cover costs.
- Lots offered for auction are very small, sometimes smaller than what a single wholesaler or retailer would require. Multiple transactions of tiny lots increase revenue to commission agents, who charge buyers 5 to 10 Rupees for each lot auctioned. When lots contain many items, such as crates, Rs 5-10 fee is charged on each item.
- Commissions of 5 to 10% are collected from suppliers, which has a direct impact on prices paid to farmers. Contractors surely pass on their costs of operations, transport and commission, back to farmers.
- Commission agents charge for a number of services, including recovery of the cost of capital advances made to contractors. Amounts of capital advances to contractors is an essential service and is provided in significant amounts.
- Markups of over 18% are common in wholesale markets and markups of another 30 to 50% is added from the retailers to the final consumer. Little of the wholesale markup is captured for the operation of marketplaces.
- Specialized suppliers/distributors sometimes link farmers and high-value market outlets through a value chain approach. But most operators in the market, including pre-harvest contractors and wholesalers, have not considered alternative approaches.
- Processors also face difficulty in obtaining the quality they require. Some scattered alternate channels exist to supply to processors and crushers in bulk.

# 1.0 Introduction

Literature reviewed on the agricultural market systems in Pakistan, and the Mandis in particular, is sparse and sometimes academic in nature. Most documents focus on the fallacies of the current system that create special privileges for Commission Agents leading to rent-seeking behavior, while providing few insights on market efficiency. Documents refer to low prices paid to farmers, but no empirical evidence is offered and no specific indication of farmer discontent is cited.

While the findings of literature may be based on solid evidence, the FIRMS team wanted to avoid repeating findings of others without verifying sources and understanding the market context. In order to explore economic behavior through obtaining glimpses of market transactions and operations through the eyes of experienced actors in market channels, as well as first-hand observation of FIRMS team researchers, the team applied an approach that is known as a Rapid Market Appraisal (originally developed as Rapid Rural Appraisal). This research technique was compared to traditional surveys by Chambers: "... rural surveys must be one of the most inefficient industries in the world...; the longer the research takes, the longer and less usable the report tends to be and the greater the time available for sweeping the dirt under the carpet". The biggest single obstacle is the failure to "treat statistics as servant rather than master". (Chambers, R, (1980), *Rural Development: Putting the Last First*, Harlow, England) He and others saw the need for quick and cost-efficient methods to obtain information.

The Rapid Rural Appraisal technique was made popular through the work of Dr. John Holzman (Rapid Reconnaissance Guidelines of Agricultural Marketing and Food System Research in Developing Countries. Working Paper #30. Department of Agricultural Economics, Michigan State University. 1986.) The methodology first became known as Rapid Rural Appraisal (RRA). The International Institute for Sustainable Development (IISD) – a Canadian-based, policy research institute—comments on this methodology as follows: RRA (and analogs) emerged in the 1970s as a more efficient and cost-effective way of learning by outsiders, particularly about agricultural systems, than was possible by large-scale social surveys or brief rural visits by urban professionals. It drew on many of the insights of field social anthropology of the 1930s-1950s, emphasized the importance and relevance of situational local knowledge, and the importance of getting the big things broadly right rather than achieving spurious statistical accuracy. It developed a style of listening research, and a creative combination of iterative methods and verification, including "triangulation" of data from different sources - using two different methods to view the same information.

FAO indicates that the Rapid Rural Marketing Appraisal (RRMA) methodology represents a paradigm to understand rural development and its marketing implications. "RRMA understands marketing systems in all their complexity and final implications. The interaction and sharing of insights by multidisciplinary researchers avoids the biased, partial views by analyzing systems (agro-ecosystems) performance, and understanding that they are the result of the interaction of social and natural elements. RRMA analyses the structure of systems and provides a means of predicting the effects of changes and suggesting improvement actions."

The FAO analysis rightly points out that RRMA is an emerging approach, evolving and improving, and therefore is still limited. "It is the responsibility of the researcher to demonstrate how his or

her conclusions were derived from the data, and in such a way that someone else can follow and, if necessary, replicate the analysis and achieve the same result or dispute those conclusions.”

For the above reasons, this report will include all of the primary information obtained from persons visited at different points in the marketing process. General findings will be summarized. Conclusions from this Appraisal are to be used in the framing of a proposed policy and regulatory framework for agricultural marketing in Punjab, to be also applied to other Provinces. For those conclusions, recommendations and proposals, the reader should refer to FIRMS Project report “Agricultural Marketing Policy Framework” by Mr. Preston Pattie.

## 2.0 Coverage and Methodology

The BEE/FIRMS team focused on fruits and vegetables, but took into account wholesale and distribution processes that consolidate and assort the products. Of primary importance is value chain development, as it leads to quality improvement and application of best practices that can spill over into local markets at various levels, starting with up-scale shops but potentially reaching wholesale/retail operators in various consumer market channels.

The appraisal first covered buyers and then suppliers at fruit and vegetable Mandis in large cities and then Mandis in outlying districts. Thirdly, we branched out to retail shops, as well as the grocery store chains operating in Pakistan, and worked backward to distributors/vendors making supplies to hotels and restaurants. Fourth we focused on weekly bazaars operated by Local District Governments. Then we investigated processors. The appraisal identified a few examples of integrated value chains operating in local markets. Finally the exercise allowed the investigators to produce several examples of marketing margins—from the amount received by the supplier on one side of the Mandi to the amount paid by the retailer on the other side. To this we added the retail margin by obtaining prices to consumers at retail outlets.

Explore, rather than Q&A style of data gathering. Following the rapid market appraisal approach, visits to market areas were conducted, usually in the mornings, while group sessions were scheduled each afternoon. In group sessions, participants reviewed findings, identified points of convergence and of disparity, asked additional questions, explored ideas, and proposed initiatives.

### 2.1 Mandi Market System

Existing information and understanding is centered on Market Committees and Commission Agents, but less is said about input and output of the system. That is, who delivers produce and who buys from the marketplace?

One way to focus our analysis under FIRMS is to look at buyers as the primary “clients” of the Mandi marketing system. This approach implies a focus on client’s needs: physical access, transport, sanitary environment, and logistics, hours of operation, market information, and mix of products available, quality assured by trust in supplier (wholesaler). Exploring these areas can lead to other possibilities such as direct delivery or distribution, terms of payment, etc.

### 2.2 Areas of interest to pursue with Buyers and Suppliers at Mandis

#### 2.2.1 Buyers/shoppers at Mandi:

- Category of buyers: 1. Consumers shopping for family needs 2. Retailer (shopkeeper, roadside stand, donkey cart distribution, other kind of retailer), 3. Restaurants and hotels, 4. Other buyers (such as processor, institutions (hospital, jail, military), roadside stalls of prepared food.
- Purchase and Mandi daily, weekly?

- How much do you spend each time for items purchased at the Mandi?
- Percent of food products obtained at Mandi? (All food products, fresh or processed).
- What other routine shopping places or sources of food products? Such as delivery of dairy products to home or shop? Purchase from carts.
- Purchase from single supplier? Why or why not? Level of trust? Treatment? Desired services from supplier at Mandi?
- Are they satisfied with quality of produce?
- Did they look at electronic price board? Did information help?
- Opinions about access to market, organization of Mandi?
- Complaints. Services desired?

### **2.2.2 Persons delivering produce:**

- What product or products is he delivering?
- From where? Name \_\_\_\_\_. Distance to Lahore Mandi \_\_\_\_\_.
- Does product being delivered belong to person delivering to Mandi, or is he transporting for someone else? Who? Farmer, wholesaler, Arahti, broker, etc.
- Did he obtain product directly from growers? If not, what kind of supplier?
- How did he contact growers or other supplier?
- Did he pay growers (or other supplier) before loading product?
- If not, why do the farmers (or other supplier) trust him to pay later? How much time before he pays? How will farmers (or other supplier) know they got a fair price?

## **2.3 Parallel Initiatives**

The other gap perceived in available information relates to value chains that do not depend on the Mandis. The primary concern is that current legislation and regulatory framework might curtail parallel initiatives, which is just where we might hope for private investment and improvements in market systems to take place. Therefore we should focus especially on Pakistani grocery stores, contractors, processors and vendors/distributors especially the smaller chains and less formal wholesalers that are likely the most vulnerable to the current legislation.

## **2.4 Grocery Store Chains:**

- How does the store currently obtain its food products? Contractors, Mandis, processors, wholesalers, importers?



- Are the store and its suppliers able to establish supply systems (value chains) without going through the Mandi?
- How does the current marketing legislation affect them?
- Is the Mandi adequate for their needs? What improvements can be suggested?

#### 2.4.1 Suppliers: Contractors, processors or vendors/distributors:

- Are they able to establish supply systems (value chains) without going through the Mandi?
- Do they obtain product directly from growers? If not, from what kind of local supplier?
- If they deal directly with the farmers, how do they organize supply at the village level?
- How does the current marketing legislation affect them?
- If they purchase from the Mandi, how do they obtain the quality they need? What system of purchasing do they use—reliable supplier, trader at Mandi, reliable wholesaler or commission agent, go early and pick before others arrive?
- Is the Mandi adequate for their needs? What improvements can be suggested?

## 2.5 District Mandis (Smaller districts)

First compare with large central Mandi in terms of size – acres, number of trucks entering each day, congestion, organization, and utilization of space.

#### 2.5.1 Buyers/shoppers:

- Category of buyers: 1. Consumers shopping for family needs 2. Retailer (shopkeeper, roadside stand, cart distribution, other kind of retailer), 3. Restaurants and hotels, 4. Other buyers (such as commission agents purchasing for shipment to a distant market).
- Purchase and Mandi daily, weekly?
- How much do you spend each time for items purchased at the Mandi?
- Percent of fruits and vegetables obtained at Mandi?
- What other routine shopping places or sources of fruits and vegetables? Such as purchase from carts.
- Satisfied with quality of produce?
- Did they look at electronic price board? Did information help?
- Opinions about access to market, organization of Mandi?

### **2.5.2 Persons delivering produce:**

- Category: 1. Farmer or representative of farmer organization or group, 2. Pre-harvest contractor, 3) other.
- What product or products is he delivering?
- From where? Name \_\_\_\_\_. Distance to District Mandi \_\_\_\_\_.
- Does product being delivered belong to person delivering to Mandi, or is he transporting for someone else? Who? Farmer, wholesaler, commission agent, etc.
- Did he obtain product directly from growers? If not, what kind of supplier?
- Will product be sold to local retailers, or shipped to other distant markets?

## **2.6 Sunday Bazaars**

### **2.6.1 Buyers**

- Category of buyers: 1. Consumers shopping for family needs 2. Retailer (shopkeeper, roadside stand, donkey cart distribution, other kind of retailer)
- How much do you spend each time for items purchased at the Mandi?
- Percent of fruits and vegetables obtained at Sunday Bazaar?
- What other routine shopping places or sources of fruits and vegetable? Such as purchase from carts.
- Distance traveled to Bazaar \_\_\_\_\_. Means of transport?
- Are they satisfied with quality of produce?
- Is the Sunday Bazaar convenient: Price, location, distance from home, and days of the week?
- Would the buyer prefer another kind of market outlet, such as farmers market or retail public market open all days of the week?
- Opinions about access to bazaar, organization?

### **2.6.2 Persons offering produce for sale:**

- Category: 1. Farmer or representative of farmer organization or group, 2. Wholesaler or other representative of commission agents from Mandi, Contractor, 3) Independent retailer.
- What product or products is he offering?
- Did he obtain product directly from growers or Mandi? If not, what kind of supplier?

- If not from Mandi, from where? Name \_\_\_\_\_. Distance to Sunday Bazaar\_\_\_\_\_.

## 3.0 Results

### 3.1 Step 1 in Rapid Market Appraisal: Buyers/shoppers at Fruit and Vegetable Wholesale Market

May 14, 2010, 07:00 - 10:30 am. Visit to Fruit and Vegetable Mandi, Badami Bagh, Lahore 15 total respondents. Many were reluctant and denied interview. Responses from retailers and from consumers became repetitive.

#### 3.1.1 Summary of responses:

##### Category of buyers

- 3 Consumers shopping for family needs
- 12 Retailers (shopkeepers, carts, roadside stands and bicycle). 5 from vegetable market and 7 from fruit market.

##### Frequency

- Retailers purchase daily.
- Consumers varied from four times a week to only once a week.

##### Amount spent each time

- Vegetable retailers: 4/5 said Rs 5,000, and one said 600
- Fruit retailers: Between 1,500 to 10,000 with median of 5,000
- Consumers reported spending from 250 to 2500, depending on frequency of purchase.

##### Percent of food products obtained at Mandi

- Retailers obtain all produce at Mandi.
- Consumers said from 20 to 50%.

##### What other routine shopping places?

- Consumers said local grocery shops. One said he obtains an assortment of products from grain wholesale market: [REDACTED]. One mentioned supplies directly from village.

##### Purchase from single supplier or many

- Consumers shop around. No loyalty to vendor.

- For onion and potato, 2/12 retailers said they buy from same supplier. (In one case, the wholesale supplier lives in same neighborhood, and retailer can even get credit if needed. Level of has built up trust.) Otherwise retailers interviewed are paying cash, and they can shop around for quality and price.
- Two retailers sell in middle income areas and 10 from lower income. None from high income areas.

### **Quality of produce**

- Replied that if you spend more, you get better quality. Complain about mix of quality in a single pack. If there were grades like A, B C, it would be convenient to buy at given price. Retailer has to grade and set different prices. Some suppliers are more reliable: recognize “brands”, more or less formal. For example, contractors put names on boxes.

### **Electronic price board--did information help?**

- They have seen it, but prices on board and in market are different. Quality variations. Most do not rely on board information.

### **Opinions about access to market, organization of Mandi?**

- Complaints mainly about access, congestion. Researcher parked 500 meters from entrance. Have to hire workers to take items out to staging space on service road. Hire another person to watch load.
- Security is another area mentioned.
- Traffic control is insufficient.
- 5-6 complained about accuracy of weights.
- Cleanliness was mentioned by 4-5 persons.
- When it rains, conditions are much more difficult.
- Cannot make claims against wholesalers when a product turns out to be of poor quality. Feel mistreated.

## **3.2 Step 2 in Rapid Market Appraisal: Suppliers to Fruit and Vegetable Wholesale Market**

May 18. Visit to Fruit and Vegetable Market, Badami Bagh, Lahore

### **3.2.1 Category of Suppliers**

In total 12 respondents were interviewed which include 6 fruit suppliers and 6 vegetable suppliers.

- In case of fruits mostly Preharvest Contractor supplies to the market. In the present case out of 6, 5 were preharvest contractors and only one was producer supplying to the market.

- The fruit suppliers were supplying melon and water melon (local supply), mangoes from Multan & Sindh, falsa from Multan, peaches, apples & persimmons from Sawat.
- In case of vegetables (onions and garlic - as at the time of visit these vegetables were being auctioned) out of 6 respondents 5 were farmers and only one was a pre harvest contractor.
- Onion was coming from district Lodhran near Multan and garlic from district Sawabi, Khyber Pakhtoon Khawa Province.

### 3.2.2 Summary of Responses:

#### **Establishing supply systems (value chains) without going through the mandi.**

Variety of responses was received:

- 10 suppliers replied in No with different reasons
- 3 – No, never considered
- 2 – No, no other option available can be considered if there is an option.
- 1 – fully satisfied with system
- 1 – product is in bulk, easy to sell at mandi
- 2 – Risk involved due to perish ability of the produce, financing is also an issue.
- 1 – No comments

#### **Obtaining the product from growers, if not what kind of local supplier?**

- 5 - Suppliers were pre harvest contractors, who purchased standing crop after conducting surveys to find out potential sellers. Payment is made in three installments.
- 1 – Pre harvest contractor securing supplies from local F & V market (false from Multan market).
- 6 – farmers bringing their own produce to the market

#### **If from the farmers how do they organize supply at village level?**

- 5 – Reported that standing crop is purchased. For this they conduct surveys and also they already have the knowledge, being from the same locality or being in the business for quite some time.
- 1 – Purchase from the farmer at the farm after the farmer has harvested the crop.

#### **How does the Market Legislation affect them?**

- All the 12 respondents had no awareness about the marketing legislation. They were not aware of even the percentage of commission they are supposed to pay. They reported that they pay from 5 to 7 percent commission while under the law only 3.12% and 2.50% commission can be charged on vegetables and fruits respectively. Some of the suppliers, coming from remote areas, reported that the commission agents provide them food, residence and telephone facility also.

### **Is the mandi adequate for their needs? What improvements can be suggested?**

- 5 – Respondents responded in yes.
- 1 – If alternate options are available it will be more appropriate but not direct to the retailers due to the bulk supply of the product.
- 3 – seemed satisfied with the process but demanded cleanliness and easy access to the mandi.
- 1 – Only melon supplier (grower), least interested in any other option.
- 1 – Not satisfied, price reported on telephone by the commission agent is attractive but when produce is brought to the mandi situation is different and having no other option has to sell in the same market.
- 1 – Not satisfied because there is no guarantee of price and having no other option has to sell even at loss.

### **Receipt of payment from commission agents**

- 8 – Suppliers (6 of veg.) reported that they receive cash payment on the same day after the deduction of commission by the com. age. Suppliers of melon and w. melon reported that they themselves receive the sale proceeds.
- 4 – Suppliers (all of fruit) reported that they have received advance amount and major part is adjusted against that but if required we can get the amount needed, behavior of com Ag. is accommodative.

### **Did they receive advance from the com. ag. If yes on what terms? Have they considered other sources of financing?**

- 7 – Respondents reported No.
- 5 – Reported that they have obtained advance from the commission agents with a binding to sell through his shop. They further reported that advance amount is mostly required by the pre harvest contractors for the purchase of orchards.
  - One supplier of mango from Multan reported that he normally gets advance which is about 40% of the total value of the orchard and also stated that he has to supply the commodity to the commission agent, advancing money, at least double the value of advance.

- A supplier from Sawat supplying peaches, apples and persimmons stated that he has obtained an advance of PKR 20 lacs for peaches, etc and is planning to get more advance of PKR 40 – 50 lacs for apples.

### Grading of the produce

- 6 – Suppliers reported that they don't undertake grading. These include suppliers of melon, w. melon, garlic and onion. (Metro, however, indicated that melon comes in grades "A" and "Double A".)
- 6 reported that they undertake grading.
- Supplier of peaches and apples reported that he undertakes grading to a reasonable extent.
- 2 mango suppliers reported that they make three grades i.e., VIP, Super and Special (needs to be verified to see the standard of grading). Metro added one more: "Number 1"

### 3.3 Step 3 in Rapid Market Appraisal: District Markets

May 24, 2010: Visit of Fruit and Vegetable Market, Toba Tek Singh.

#### 3.3.1 General Information:

- ❖ Area of mandi is 1.75 acres – owned by TMA and managed by market committee. Process of shifting the market to a new place, on an area of around 5 acres is in progress.
- ❖ Daily arrival of agricultural commodities in the mandi is app. 14-15 trucks- there is a seasonal variation in the volume of arrival.
- ❖ Peas are a special commodity being produced in the area. Mandi works in the evening for peas' trade and the commodity is supplied to the distant areas in the country – 14-16 truck loads daily.
- ❖ Space in the mandi was being over utilized and early in the morning commodities were found flowing outside the mandi.
- ❖ Charges in the mandi, being charged by the commission agents from the seller side, was found to be in the range of 8-10 % of the value of auction – it includes commission, labor charges, clerical staff charges, etc while from the buyer side the commission agent charges Rs.5/- to Rs. 10/- per transaction.
- ❖ Commission agents are in direct contact with the pre harvest contractors (particularly in case of fruits) of the producing area and they make advance to them which are usually about 2/3rd of the value of produce to be supplied by the pre harvest contractors. Terms regarding deductions and payment are agreed between the two parties. As per statement of commission agents they are dealing with the suppliers from distant areas, whether they are commission agents, traders or pre-harvest contractors, for last many years and they have not seen each other and the whole business is going on the basis of trust. Period of advance in case of mango is about 4 to 5 months and in case of citrus it is about 9 to 10 months. Apart from this finance is also provided to small farmers for their small needs like



fertilizer, seed, and payment for land rent, tube well charges, etc and other domestic needs.

- ❖ In small markets the supply chain is not as long as in the large terminal markets because the retailers in small markets purchase direct from the auction in most of the cases, particularly in case of fruits. Retailers coming from village areas mostly make their purchases from wholesalers (pharias).
- ❖ There are people found in the district markets who are wholesalers, retailers, suppliers and vendors at the same time. They work as wholesalers by making purchases from the auction and selling it to the retailers and also to the consumers. They also make purchases of some commodities, which are in short supply, from the nearby big markets and sell directly to the retailers. They also work as vendors/suppliers to the restaurants/hotels.
- ❖ Consumer buying in these markets is just about 4 – 5 %.

### **3.3.2 Buyers/ shoppers in the district market Toba Tek Singh**

#### **Category of Buyers**

In total 5 buyers were interviewed which include one consumer 2 retailers one restaurant owner and one vendor/supplier to the restaurants/hotels.

#### **Purchase from mandi daily, weekly?**

- Consumer purchased once in a week.
- Retailers, both of fruits and vegetables, restaurant owner and retailer cum supplier to the restaurants/hotels make purchase daily.

#### **How much do you spend each time for items purchased at the mandi?**

- Consumer – Rs.400/-
- Retailers – both fruit and vegetable – Rs.4,000/- to Rs.6,000/-.
- Restaurant owner – Rs.400/- – Rs. 600/-.
- Supplier to restaurants/hotels – Rs. 2,000/- to Rs. 2,200/-.

#### **Percent of fruits and vegetables obtained at mandi?**

- Consumer – 20%.
- Restaurant owner – 80%.
- Retailers and suppliers to restaurants/hotels – 100%.

**What other routine shopping places or sources of fruits and vegetables? Such as purchase from carts?**

- Consumer – purchasing from retailers/carts.
- Restaurant owner – from retailers.
- Retailers and suppliers to restaurants/hotels – None.

#### **Satisfied with the quality of produce?**

- Consumer – yes.
- Restaurant owner – If you pay more you will get better quality.
- Retailers – Quality is not satisfactory. There is mix quality in one packing. Top layer is of fine and as you go deep into the packing you will get poor quality.
- Supplier to restaurants/hotels – High price for better quality.

#### **Did you look at the electronic price board? Did information help?**

- All respondents – No, as the electronic price board is installed in the grain market.

#### **Opinions about access to market, organization of Mandi?**

- All respondents – Place is too congested, access is difficult and organization/management of the Mandi requires improvement.

### **3.3.3 Persons delivering produce:**

#### **Category of suppliers.**

- In total 5 persons, delivering produce to the mandi, were interviewed out of which four were farmers and one was a pre harvest contractor (PHC).

#### **What product or products is he delivering?**

- Farmers – Lady finger, squash family products, water melon and mangoes.
- PHC – Mangoes.

#### **From where? Name\_\_\_\_\_. Distance to District Mandi?**

- Farmers – 2 farmers came from Chak No. 323-JB, Trandi, 3 KMs away from the mandi and 2 farmers, who supplied water melons, came from District Sheikhpura, producing area of water melons, 175 Km. from the mandi.
- PHC – From Multan, producing area of mangoes, 140Km. from the mandi.

#### **Do products being delivered belong to person delivering to mandi, or is he transporting for someone else? Who? Farmer, Wholesaler, Commission agent, etc.**

- All respondents – Product(s) being delivered belong to the person delivering produce.

**Did he obtain product directly from growers? If not, what kind of suppliers?**

- Farmers – own product.
- PHC – From the orchard purchased from the farmers.

**Will product be sold to local retailers, or shipped to other distant market?**

- All respondents – To the retailers/wholesalers through commission agents.

**3.4 Step 3 in Rapid Market Appraisal: District Markets**

May 25, 2010: Visit of Fruit and Vegetable Market, Kamalia, District Toba Tek Singh.

**3.4.1 General Information:**

- ❖ Area of mandi is 1.75 acres.
- ❖ Arrival of produce about 8-10 trucks a day.
- ❖ Consumer buying – 3%-4%.
- ❖ Special commodity of the area is Lady Finger. Special trading in the evening for dispatches to distant markets – Lahore, Peshawar, Karachi, Quetta, Afghanistan and other parts of the country.
- ❖ Lady Finger is auctioned on weight basis i.e.; Rs. ---- per 40Kg. commodity is pre-weighed.
- ❖ No direct export from producing area. For export it first goes to Lahore market.
- ❖ Mostly vegetables are brought to the mandi by the farmers themselves.
- ❖ Space being over utilized, roads occupied by donkey carts, trucks and wholesalers.

**3.4.2 Buyers/ shoppers in Fruit and Vegetable Market Kamalia****Category of Buyers**

In total 5 buyers were interviewed which include one consumer, 1 retailer (fruits & vegetables), one restaurant owner, one Donkey Cart retailer and one trader - purchasing Lady Finger from the market and dispatching to distant markets.

**Purchase from mandi daily, weekly?**

- Consumer purchased twice a week.
- Retailer, donkey cart seller, restaurant owner and trader make purchases daily.

**How much do you spend each time for items purchased at the mandi?**

- Consumer – Rs.70/- to Rs. 80/-.
- Retailers – both fruit and vegetable – Rs.8,000/- to Rs.10,000/-.
- Restaurant owner – Rs.300/- – Rs. 400/-.
- Donkey Cart retailer – Rs. 1,000/- to Rs. 1,500/-.
- Trader supplying to other markets – 25,000/- to Rs. 80,000/-

**Percent of fruits and vegetables obtained at mandi?**

- Consumer – 40%.
- Restaurant owner – 100%.
- Retailer, Donkey Cart retailer and Trader – 100%.

**What other routine shopping places or sources of fruits and vegetables? Such as purchase from carts?**

- Consumer – From Donkey cart sellers.
- Restaurant owner, Retailers, Donkey Cart seller and Trader – None.

**Satisfied with the quality of produce?**

- Consumer – yes.
- Restaurant owner – Yes.
- Retailers – Quality is not satisfactory. There is a mix quality in one packing. Top layer is of fine and as you go deep into the packing you will get poor quality. Some suppliers bring produce graded to the acceptable limit.
- Donkey Cart seller - Yes.
- Trader – Mixed Quality is available. It is sorted/graded according to requirement and all shipped to Islamabad.

**Did you look at the electronic price board? Did information help?**

- All respondents – No, electronic price board is not installed.

**Opinions about access to market, organization of Mandi?**

- All respondents – Place is too congested, access is difficult and organization/management of the Mandi be improved.

### 3.4.3 Persons delivering produce:

#### Category of suppliers.

- In total 4 persons, delivering produce to the mandi, were interviewed out of which three were farmers and one was a trader purchasing products from F & V market Badami Bagh, Lahore (Mango, Apples and Plum).

#### What product or products is he delivering?

- Farmers – Lady Finger, pumpkin, tomato, water melon.
- Trader – Mangoes, apples and plum.

#### From where? Name \_\_\_\_\_. Distance to District Mandi?

- Farmers – 2 farmers came from nearby villages from a distance of 3 KMs and 17 KMs. One farmer, who supplied water melons, came from District Sheikhpura, producing area of water melons, 175 Km. from the mandi .
- Trader – From Badami Bagh fruit and vegetable market, Lahore

#### Do products being delivered belong to person delivering to mandi, or is he transporting for someone else? Who? Farmer, Wholesaler, Commission agent, etc.

- All respondents – Product(s) being delivered belong to the person delivering produce.

#### Did he obtain product directly from growers? If not, what kind of suppliers?

- Farmers – own product.
- Trader – From Badami Bagh fruit and vegetable market, Lahore.

#### Will product be sold to local retailers, or shipped to other distant market?

- All respondents – To the retailers/wholesalers through commission agents.

### 3.5 Step 3 in Rapid Market Appraisal: District Markets

May 27, 2010: Visit of Fruit and Vegetable Market, Jhang.

#### 3.5.1 General Information:

- ❖ Area of mandi is 2.5 acres.
- ❖ Arrival of produce about 30 – 35 trucks in peak season.
- ❖ Consumer buying – 5%-6%, on Sunday it is much more.
- ❖ Special commodities of the area are Green Pepper, bitter Gourd and cauliflower. These commodities are brought to the mandi by the farmers and from there dispatched to other markets of the country while in case of water melon and carrot, which are also products

of the area, 50% quantity is traded through the mandi and 50% is directly dispatched from the field to other markets.

- ❖ Mostly the vegetables are brought to the mandi by the farmers themselves.
- ❖ Space being over utilized, roads occupied by donkey carts, trucks and wholesalers.
- ❖ Commission charged in the mandi is up to 7% if advance has been made to the supplier otherwise only prescribed commission.

### **3.5.2 Buyers/ shoppers in the district market Jhang**

#### **Category of Buyers**

In total 5 buyers were interviewed which include one consumer, 2 retailers (fruits & vegetables), one restaurant owner and one Donkey Cart retailer

#### **Purchase from mandi daily, weekly?**

- Consumer purchased once a week.
- Retailers, donkey cart seller and restaurant owner make purchases daily.

#### **How much do you spend each time for items purchased at the mandi?**

- Consumer – Rs.250/- to Rs. 400/-.
- Retailers – both fruit and vegetable – Rs.3,000/- to Rs.6,000/-.
- Restaurant owner – Rs.200/- – Rs. 250/-.
- Donkey Cart retailer – Rs. 1,200/- to Rs. 1,400/-.

#### **Percent of fruits and vegetables obtained at mandi?**

- Consumer – 50%.
- Restaurant owner – 100%.
- Retailers and Donkey Cart retailer – 100%.

#### **What other routine shopping places or sources of fruits and vegetables? Such as purchase from carts?**

- Consumer – From Donkey cart sellers.
- Restaurant owner, Retailers, Donkey Cart seller – None.

#### **Satisfied with the quality of produce?**

- Consumer – If you pay more you will get better quality.

- Restaurant owner – Yes.
- One retailer – Yes, produce is sorted out and poor quality is again sold there in the mandi.
- Other retailer – Quality is not satisfactory. There is a mix quality in one packing. Top layer is fine and as you go deep into the packing you will get poor quality. Some suppliers bring produce graded to the acceptable limit that is fine.
- Donkey Cart Seller - Yes.

**Did you look at the electronic price board? Did information help?**

- Retailers and Restaurant person – Yes, but there is a variation in the prices.
- Consumer and donkey cart seller – No.

**Opinions about access to market, organization of Mandi?**

- All respondents – Place is too congested, access is difficult and organization/management of the Mandi be improved.

**3.5.3 Persons delivering produce:**

**Category of suppliers.**

- In total 5 persons, delivering produce to the mandi, were interviewed out of which three were farmers , one was a trader purchasing products from other markets and selling at Jhang market and one was a trader cum pre-harvest contractor(PHC).

**What product or products is he delivering?**

- Farmers – Tomato, green pepper, squash family products, onion and potato.
- Trader & trader cum PHC– Mangoes, water melon, banana.

**From where? Name\_\_\_\_\_. Distance to District Mandi?**

- Farmers – 2 farmers came from nearby villages from a distance of 7 KMs and one from District Sheikhpura from a distance of 175 KMS.
- Trader – From Tando Alam, Sindh from a distance of 750 to 800 KMs.
- Trader cum PHC – From District Sanghar, Sindh some 800 Kms from the mandi.

**Do products being delivered belong to person delivering to mandi, or is he transporting for someone else? Who? Farmer, Wholesaler, Commission agent, etc.**

- All respondents – Product(s) being delivered belong to the person delivering produce.

**Did he obtain product directly from growers? If not, what kind of suppliers?**

- Farmers – own product.
- Trader – From PHC, farmers and also from mandi.
- Trader cum PHC – From farmers.

### **Will product be sold to local retailers, or shipped to other distant market?**

- All respondents – To the retailers/wholesalers through commission agents.

**A trader**, who was interviewed, explained that another supply system is working in Sindh i.e., on truck stands (addas), farmers and PHC, who wants to sell their produce, gather. The traders and buyers from other areas also reach there and the truck adda owner facilitates the deal. Price is pre determined and if buyer wants to strike a deal he may visit the field and if the quality of the produce is as per requirement of the buyer, other terms are settled and deal is finalized. The truck adda owner also works as a guarantor on behalf of the buyer

## **3.6 Step 3 in Rapid Market Appraisal: District Markets**

May 28, 2010: Visit of Fruit and Vegetable Market, Chichawatni, District Sahiwal.

### **3.6.1 General Information:**

- ❖ Area of mandi is 1.75 acres.
- ❖ Mandi is owned by TMA, MC manages, cleans and collects market fee.
- ❖ Arrival of produce about 09 - 11 trucks in peak season.
- ❖ Consumer buying – 3%-4%, on Sunday it is more. Mandi business finishes at 10:00 am.
- ❖ Mostly the vegetables are brought to the mandi by the farmers themselves.
- ❖ Space being over utilized, roads occupied by donkey carts, trucks and wholesalers.
- ❖ Commission charged in the mandi is 5 – 7%.
- ❖ Commission agents reported that they have to give advance to the PHC. If the crop is fine and rate is satisfactory. They will recover the amount. In case of crop failure or price crash, loss will be of the commission agent and during the next season they have to finance the same commission again to recover their amount.

### **3.6.2 Buyers/ shoppers in fruit and vegetable market, Chichawatni**

#### **Category of Buyers**

In total 5 buyers were interviewed which include one consumer, 3 retailers (fruits & vegetables) and one purchasing for restaurant.

#### **Purchase from mandi daily, weekly?**

- Consumer purchased once a week.



- Retailers and one purchasing for restaurant make purchases daily.

**How much do you spend each time for items purchased at the mandi?**

- Consumer – Rs.1,300/- to Rs.1,400/-.
- Retailers – both fruit and vegetable – Rs.4,000/- to Rs.10,000/-.
- One purchasing for restaurant – Rs.300/- – Rs. 500/-.

**Percent of fruits and vegetables obtained at mandi?**

- Consumer – 40%.
- Restaurant owner – 95%.
- Retailers – 100%.

**What other routine shopping places or sources of fruits and vegetables? Such as purchase from carts?**

- Consumer – From retailers.
- Retailers and– None.
- One purchasing for restaurant – from farmers (onion & garlic).

**Satisfied with the quality of produce?**

- Consumer – average quality is available.
- One purchasing for restaurant – Yes, if you pay more you will get better quality.
- Retailers – Quality is not satisfactory. There is a mix quality in one packing. Top layer is fine and as you go deep into the packing you will get poor quality. Even in the same lot the crate shown is of 12 KG and in bottom of the lot there are crates with a weight of say 7-8 KGs.

**Did you look at the electronic price board? Did information help?**

- No electronic rate board is installed.

**Opinions about access to market, organization of Mandi?**

- All respondents – Place is too congested, access is difficult and organization/management of the Mandi be improved.

**3.6.3 Persons delivering produce:****Category of suppliers.**

- In total 5 persons, delivering produce to the mandi, were interviewed out of which three were farmers, one was a trader purchasing onion from Baluchistan and Sind and supplies to different markets in Punjab and one was a trader cum wholesaler.

**What product or products is he delivering?**

- Farmers – Tomato, carrots, lady finger and squash family products.
- Trader – Onion only.
- Trader cum wholesaler – Apples, mangoes, apricot, plum. Makes purchase from Lahore, Multan and D.G. Khan and supplies to Chichawatni F & V market.

**From where? Name\_\_\_\_\_. Distance to District Mandi?**

- Farmers – From nearby villages at a distance of 4 to 7 KMs.
- Trader cum Wholesaler – From Lahore, Multan and D. G. Khan.
- Trader – Baluchistan and Sindhi.

**Do products being delivered belong to person delivering to mandi, or is he transporting for someone else? Who? Farmer, Wholesaler, Commission agent, etc.**

- All respondents – Product(s) being delivered belong to the person delivering produce.

**Did he obtain product directly from growers? If not, what kind of suppliers?**

- Farmers – own product.
- Trader – From farmers and also from mandies in Baluchistan and Sind.
- Trader cum wholesaler – From fruit and vegetable markets of Lahore, Multan and D. G. Khan.

**Will product be sold to local retailers, or shipped to other distant market?**

- All respondents – To the retailers/wholesalers through commission agents.

**3.7 Step 4 in Rapid Market Appraisal: Processors**

May 26, 2010, Visit of Faisalabad, Interview with Processors.

**3.7.1 Nizami Food Products**

- Owner: [REDACTED]
- Address: [REDACTED]
- Contacts: [REDACTED]

- Mainly a pulping unit. Buys various products/commodities in bulk from the market, prepares pulp and supplies onward to final processors who prepares finished products for consumption.
- For five years in the business.
- Products: Pulp of mango, apple, carrot (in bulk) and of strawberry, peaches and guava (in small quantity).

**How the products/commodities are procured for processing?**

- Commodities are procured from F & V markets during the season.
- Markets: Faisalabad, R. Y. Khan, Sadiqabad, Mir Pur, Sind, Muzaffar Garh and Multan.
- Crop surveys are conducted which are quite reliable.
- We are in contact with the commission agents in the markets. Only short listed commission agents are contacted which depend on their behavior and trust.
- Purchasing is done through a purchaser who makes purchase through commission agent and also directly from the mandi if better quality is available at a relatively low price. Rates of the commission agents' supplies are also cross checked with the market.
- Commission agent charges are RS.5/crate in Faisalabad and Rs.3-4/crate in R.Y. Khan.
- Terms of payment, from and to, vary from party to party. Normally payment is made after the quality is checked (within 3-4 days).

**Did you ever tried to procure the commodities from out of the mandi?**

- An effort was made to procure supplies from farmers and pre harvest contractors but could not succeed because:
- There is discontinuity of supply.
- They don't honor their commitment particularly when there is a crop failure or rise in the price.
- Advance money or financing like commission agents can't be made because we don't have constant relationship with them and they may run away with money and this has happened.
- They don't supply the agreed quality and we don't have any solution for that.
- Some big consumers like Sheezan and Tops also procure from farmers. They announce price and quality and get the produce as per their demand.

**Big buyers/crushers.**

- There are four big crushers agricultural commodities which include – Tops, Sheezan, Popular Foods Sind and Nizami Food Industries Faisalabad.

### **Big Suppliers group.**

- By realizing that there is a large demand for a certain range of quality of agricultural commodities by some big users/crusher who prepare finished products, a group of big suppliers has emerged which are from 15 to 20 in number. They conduct crop surveys which, as per their claim, are more accurate than the Government surveys and according to the crop report they make their strategy of purchasing and pricing.

#### **3.7.2 Procedure:**

- Negotiation regarding price and quality/grade is made and if agreed further terms of supply are also decided which include:
- 5% crop damage will be acceptable.
- If crop damage increases up to 10% a deduction is made and if it is beyond 10%, supply will be rejected.
- Terms of payment are mutually agreed.
- Tops and Sheezan mainly buy from the suppliers.
- Price of the supplier is generally high.

#### **3.7.3 Customers:**

- Benz, Country Juice, tops, Juice Pack industry (Enjoy Juice), Fresher (Juices), Ahmad Foods, Shangrila, and Young's Food.

### **How does the current marketing legislation affect them?**

- No problem with respect to the current marketing legislation. We can freely make our purchases from the farmers or pre harvest contractors if we want to. Only the market fee payment in the mandi is double.

### **3.8 Step 5 in Rapid Market Appraisal: Vendors/Suppliers to Restaurants**

To see the alternate supply channels, out of the mandi, vendors/suppliers to the restaurants were located (traced back from the restaurants) and interviewed. In total 4 vendors were contacted. The detail of information obtained is given as under:

### **Are they able to establish supply systems (value chains) without going through the mandi?**

- Different replies were received.
- One responded said that he never thought on it.

- The other said that he considered this to procure direct from the farmers but could not follow because;
  1. There is high transport cost associated with it.
  2. Purchase is to be made in bulk.
  3. High perishable nature of the products so can't be stocked.
- The third respondent also stated that he considered to establish supply chain outside the mandi but there are certain problems in it;
  1. Supply is not regular
  2. Price may be higher may be lower but the mandi gives proper price.
  3. System of mandi is satisfactory, one may get all the commodities he needs from anywhere in the mandi and the price is also appropriate.
- Reply of the fourth respondent was different. He said that he himself is a farmer and he grows vegetables on eleven acres of land, situated on Theme More, which are supplied onward direct to different clients out of the mandi. In addition he also procures his supplies direct from the farmers of the local area and adjacent areas (Sham Kot, Kangan Pur, Theme More and Kasur. As all the required products does not become available in this way so fruit and vegetable market Bdami Bagh, Lahore is also visited to supplement his supplies. All these commodities so procured are supplied onward to the Metro and to sub vendors/suppliers of some big restaurant chains and hotels like PC, Awari, Pizza Hut, Village Restaurant, Grill Restaurant and Salt n Pepper Restaurant. The total volume of supply is about three tons a day.

**Do they obtain product direct from the growers? If not, from what kind of local supplier?**

- Three respondents replied that they get their supplies from the Mandi.
- One respondent replied – direct from the growers.

*If they deal directly with the farmers, how do they organize supply at the village level?*

- The only respondent who gets his supplies direct from the growers replied that he is in contact with the growers for a long time and they have cell numbers of each other. They remain in contact with each other and he has the information regarding vegetables sown and time of harvest and accordingly he plans his supplies. The price paid is lower than the whole sale price of the mandi. He further stated that supplies are also procured direct from the farmers while they bring their produce to the mandi. There he has permanent relationship with the growers and he procures regular supplies from them. The farmers bring their produce as per his quality demand specifically meant for him and he catches them at night as they reach mandi. Payment is made in cash to all the sellers. Regarding receipt of payment there is a credit of 7 to 15 days.

**How does the current marketing legislation affect them?**

- Three respondents had no awareness regarding any legal matters associated with Agricultural Marketing.
- One respondent stated that he never faced any problem with respect to marketing legislation.

**If they obtain from the mandi, how do they obtain the quality they need? What system of purchasing do they use – reliable supplier, trader at mandi, reliable wholesaler or commission agent, go early and pick before others arrive?**

Different replies received.

From wholesaler, every time new person, depending on quality and price. Same person may exploit by charging high.

From a reliable supplier/wholesaler as in this way he gets good price and quality but the price is cross checked with 5 – 6 other suppliers. Goes early in the morning to get good quality.

Onion, potato and tomato from one supplier but price are checked from other suppliers also. Other green vegetables from different sellers keeping in view the quality and price. Visits mandi at 06:00 AM to pick better quality.

Purchases from different people on price and quality basis.

**Does he act as a vendor only or as a retailer also? For how long he is in this business?**

Only as a supplier, for 15 years.

Only as a supplier, for 3 years.

Vendor cum supplier, for 11 years.

Only as a supplier, for last 15 years.

**To how many clients they make supply?**

Number of clients of all the respondents range from 3 to 6.

### **3.9 Step 6 in Rapid Market Appraisal: Sunday Bazaars**

In Rapid Market Appraisal Sunday Bazaars, being another market place, jointly managed by the City District Government and Market Committees, were visited to get the views of sellers and buyers. In total three Sunday Bazaars, two at Lahore (Shadman and Green Town) and one at Islamabad (H – 9 Sector) were visited. Detail of responses for Lahore and Islamabad Sunday Bazaars is given separately.

### 3.9.1 Sunday Bazaar at Shadman and Green Town Area, Lahore

#### 3.9.1.1 Buyers:

In total 17 buyers were interviewed out of which 11 were male and 6 were female. Detail of responses is given as under:-

**Category of buyers: 1. Consumers shopping for family needs 2. Retailer (shopkeeper, roadside stand, donkey cart distribution, other kind of retailer)**

- All the buyers were consumers.

#### **How much do you spend each time for items purchased at the Mandi?**

- Three respondents replied they visit mandi and the amount spent each time ranged between Rs. 1000/- to Rs. 1500/-.

#### **Percent of fruits and vegetables obtained at Sunday Bazaar?**

- Seven respondents replied - 100%, 4 – 90%, 2 – 80%, 1 – 70% and other 3 replied – 20% to 50

#### **What other routine shopping places or sources of fruits and vegetable? Such as purchase from carts.**

- Seven respondents – no other shopping place, 2 – from donkey cart seller, 5 – from nearby shops, 3 – from mandi.

#### **Distance traveled to Bazaar \_\_\_\_\_. Means of transport?**

- Distance travelled to bazaar by visitors ranged between ½ km to 10 km. Mode of transport used was motorcycles, rickshaws and cars while the visitors coming from a distance of ½ km. were pedestrians.

#### **Are they satisfied with quality of produce?**

- Mix responses received
  1. 9 – satisfied
  2. 3 – not satisfied
  3. 4 – products are of average quality
  4. 1 – vegetable quality is good but quality of fruits is not good.

#### **Is the Sunday Bazaar convenient: Price, location, distance from home, days of the week?**

- 60% respondents replied that Sunday bazaar is convenient w. r. t. price, location and distance from home but it should be two days a week.

- 40% replied that they are not satisfied with the quality of produce and bazaar should be held once a week.
- 10% replied that they are satisfied to the extent that you get all the things at one place.

**Would the buyer prefer another kind of market outlet, such as farmers market or retail public market open all days of the week?**

- All the respondents replied positively.

#### **Opinions about access to bazaar, organization?**

- 70% respondents were found satisfied with respect to access to bazaar and its organization while 30% were not satisfied with the reason that quality of products keep on changing every time.

#### **3.9.1.2 Persons offering produce for sale:**

**Category: 1. Farmer or representative of farmer organization or group, 2. Wholesaler or other representative of commission agents from Mandi, Contractor, 3) Independent retailer.**

- In total ten sellers were interviewed out of which eight were independent retailers and two were also wholesalers in the mandi.

#### **What product or products is he offering?**

- Fruit sellers were offering mango, melon, apricot, plum, banana, water melon and peaches while vegetable sellers were selling onion, potato, tomato, ginger, garlic, lady finger, bitter gourd, fresh beans, capsicum, spinach and bringel.

#### **Did he obtain product directly from growers or Mandi? If not, what kind of supplier?**

- Nine sellers were found obtaining supplies from mandi while one from the farmers.

**If not from Mandi, from where? Name \_\_\_\_\_. Distance to Sunday Bazaar \_\_\_\_\_.**

- From the farmers at Kasur and surrounding area, 50 KM from Lahore.

### **3.9.2 Sunday Bazaar at H- 9 Sector, Islamabad.**

#### **3.9.2.1 General Information**

- Six bazaars, three Sunday, two Tuesday and one Friday bazaar, are organized in Islamabad under the supervision of Capital Development Authority.
- Overall incharge of all bazaars in Islamabad is an Assistant Director and a Chief Inspector assists him.
- H – 9 Sector bazaar works three days a week i.e., Sunday, Tuesday and Friday.



- There are 2700 covered stalls in H – 9 Sector Bazaar on an area of fifteen acres.
- Size of the stalls is 8'\*8', 8'\*12', 8'\*16', 12'\*12' and 16'\*16' with a monthly rent of Rs. 120, 190, 240, 270 and 480 respectively.
- These charges were fixed in 1990 as conservancy charges.
- In its present shape it was established two and half years ago with a total cost of Rs. 250 million.
- There are fifty personnel managing the bazaar which include a Chief Inspector, Inspectors, Supervisors and Security Guards exclusively recruited for the bazaar.

Buyers and sellers were interviewed. Detail of responses is given as under:-

### 3.9.2.2 Buyers:

In total 5 buyers were interviewed out of which two were females and three were males which also include a foreigner.

**Category of buyers: 1. Consumers shopping for family needs 2. Retailer (shopkeeper, roadside stand, donkey cart distribution, other kind of retailer)**

- All the buyers were consumers.

**How much do you spend each time for items purchased at the Mandi?**

- One respondent replied that he visits mandi once in three months and amount spent each time is about RS. 2000/-

**Percent of fruits and vegetables obtained at Sunday Bazaar?**

- One respondent replied - 100%, 1 – 90%, 2 – 80%, and 1 – 50%

**What other routine shopping places or sources of fruits and vegetable? Such as purchase from carts.**

- One respondent replied no other shopping place, 3 – from nearby shops and 1 – from nearby shops and mandi.

**Distance traveled to Bazaar \_\_\_\_\_. Means of transport?**

- Distance travelled to bazaar by visitors ranged between 5 km to 8 km. Four respondents used cars and one hired taxi to reach bazaar.

**Are they satisfied with quality of produce?**

- All respondents were satisfied with the quality of the products.

**Is the Sunday Bazaar convenient: Price, location, distance from home, days of the week?**

- All the respondents were satisfied except one who stated that other things are OK but price is somewhat high.

**Would the buyer prefer another kind of market outlet, such as farmers market or retail public market open all days of the week?**

- All the respondents replied positively.

**Opinions about access to bazaar, organization?**

- All the respondents had positive opinion about access to bazaar and its organization.

### **3.9.2.3 Persons offering produce for sale:**

**Category: 1. Farmer or representative of farmer organization or group, 2. Wholesaler or other representative of commission agents from Mandi, Contractor, 3) Independent retailer.**

- In total six sellers were interviewed out of which three were fruit sellers and three vegetable sellers. All the six sellers were independent retailers.

**What product or products is he offering?**

- Fruit sellers were offering mango, apricot, plum, banana, water melon, falsa, cherry and peaches while vegetable sellers were selling onion, potato, tomato, ginger, garlic, lady finger, bitter gourd, fresh beans, green pepper and lemon.

**Did he obtain product directly from growers or Mandi? If not, what kind of supplier?**

- All the fruit sellers reported obtaining supplies from mandi while one vegetable retailer stated that he obtains supplies from mandi while the other one reported that he always procure supplies from the mandies of producing area like Lahore and Sheikhpura to avoid overcharging by commission agents in Islamabad market and the third one reported to get supplies from local mandi as well as from surrounding producing area markets like Mardan and also from farmers of adjacent surrounding areas.

**If not from Mandi, from where? Name \_\_\_\_\_. Distance to Sunday Bazaar\_\_\_\_\_.**

- From the farmers of adjacent surrounding areas, 5 to 10 Kms.

### **3.10 Step 7 in Rapid Market Appraisal: Grocery Store Chains**

Three grocery stores, having the section of fruits and vegetables, which include H. Karim Bukhsh and Pot Pouri in Defence and Sawera in Shadman, Lahore, being buyers of fruits and vegetables, were visited to get their views on current system of agricultural marketing and about the supply channels they are currently using. Detail of responses is given as under:-

**How does the store currently obtain its food products? Contractors, Mandis, processors, wholesalers, importers etc.?**

- Different responses were received:

1. From fruit and vegetable market Ravi Link Road, Lahore.
2. Through a supplier/contractor who is working with them for last 8-9 years.
3. The relevant person from third store reported that they have a mix of the supply chains through which they obtain their fruits and vegetables which are:-
  - Purchase from fruit and vegetable market Ravi Link Road, Lahore. There are 8-10 persons at mandi who procure good quality items early in the morning. Then purchaser from the store visits them and selects the commodities keeping in view the quality and price.
  - Direct from the farmers – citrus from Sargodha, green pepper and strawberry from Fauji Farms, Okara and mangoes from Hyderabad, Sind. It was further stated that price of farmers is normally less than the mandi price.

**Are the store and its suppliers able to establish supply systems (value chains) without going through the Mandi?**

- Views of two stores – they have not tried to establish supply chains outside the mandi because no such supply system exists
- Representative of third store stated that they have established supply chains outside the mandi, as mentioned above, but there are certain issues in it which include:-
  1. Exclusive supply only to one store by the farmer/supplier is difficult because supply is available in bulk but the demand is limited so overheads are high.
  2. Store needs continuity of supply which is difficult for the farmer to maintain.
  3. Store requires many types of fruits and vegetables but the farmer has supply of one or two items.
  4. In case of any problem with respect to quality of produce, after reaching the store, the supplier in mandi accommodates but in case of farmers, making the supply, experience is not good.

**How does the current marketing legislation affect them?**

- All the respondents replied that current marketing legislation does not affect them whether they make purchase from mandi or direct from the farmer/supplier outside the mandi.

**Is the Mandi adequate for their needs? What improvements can be suggested?**

- All the respondents replied that as far as availability of commodities is concerned mandi is adequate for their needs but quality is a big concern. The commodities are not graded, a major part goes waste, due to congestion in the mandi, access is difficult and a lot of time is wasted, cleanliness and hygiene is also an issue. Improvements with respect to all the above mentioned issues are necessary. Furthermore establishment of supply channels outside the mandi is also a requirement of the time.

### 3.11 Step 8 in Rapid Market Appraisal: Marketing Margins

To see the efficiency with in the market and up to retail level, as the commodity flows from supplier to the ultimate consumer, marketing margins – difference between the price received by the supplier on one end and the amount paid by the consumer on the other, were calculated to see that how efficient the current system is.

#### Marketing Margin for Mango, F&V Mkt., Ravi Link Road, Lahore

In Lahore F&V Mkt. mangoes are auctioned in unripened form. First buyer is a wholesaler.

Auction price of mango = Rs.530/crate of 11 KG.

Commission and other charges - all inclusive @ 7% = Rs.37/-

Amount received by supplier = Rs. 493/-

Overcharges by the Com. Ag. from wholesaler =Rs. 10/crate

Gross margin of Commission Agent = Rs. 37+10 = Rs. 47/11KG

Purchase price of wholesaler + overcharges= Rs.530 + 10 = Rs.540/-

Wholesaler's cost of ripening the fruit + labour = Rs. 20/11KG

Sale price of wholesaler = Rs. 600/11KG.

Gross Margin of Wholesaler = 600 - 540 = Rs. 60/11KG

Mark Up on the amount received by supplier =  $(600/493) - 1 = 0.2170$

Purchase price of retailer = Rs. 600/11Kg

Sale price of retailer:

1. At high income area @ Rs. 80/KG=  $80 \times 11 = \text{Rs. } 880/11 \text{ KG.}$

Mark Up on the amount received by supplier =  $(880/493) - 1 = 0.6227$

2. At middle income area @ Rs. 70/KG=  $70 \times 11 = \text{Rs. } 770/11 \text{ KG.}$

Mark Up on the amount received by supplier =  $(770/493) - 1 = 0.5619$

3. Outside the mandi @ Rs. 65/KG=  $65 \times 11 = \text{Rs. } 715/11 \text{ KG.}$

Mark Up on the amount received by supplier =  $(715/493) - 1 = 0.4503$

#### Marketing Margin for onion

Auction price of Onion = Rs.1450/Bag of 95 KG.

Commission and other charges - all inclusive @ 7% = Rs.102/Bag

Amount received by supplier = Rs. 1348/-

Overcharges by the Com. Ag. From Wholesaler = Rs. 10/Bag

Gross margin of Commission Agent= Rs. 102+10 = Rs. 112/-

Purchase price of wholesaler + Overcharges= Rs.1450 + 10 = Rs.1460/-

Sale price of wholesaler = Rs. 1615/Bag

Gross Margin of Wholesaler = 1615 - 1460 = Rs. 155/Bag

Mark up on the amt. received by supplier=  $(1615/1348) - 1 = 0.200$

Purchase price of retailer= Rs. 1615/Bag

Sale price of retailer:

1. At high income area @ Rs. 25/KG=  $25 \times 95 = \text{Rs. } 2375/\text{Bag.}$

Mark up on the amt. received by supplier=  $(2375 / 1348) - 1 = 0.7619$

2. At middle income area @ Rs. 20/KG=  $20 \times 95 = \text{Rs. } 1900/\text{Bag}$

Mark up on the amt. received by supplier=  $(1900 / 1348) - 1 = 0.4099$

### **Marketing Margin for Apricot, F&V Mkt., Ravi Link Road, Lahore**

Auction price of Apricot (VIP Grade)= Rs.525/crate of 8 KG.

Commission and other charges - all inclusive @ 7% = Rs.36.75/-

Amount received by supplier = Rs. 488.25/-

Overcharges by the Com. Ag. From Wholesaler =Rs. 10/crate

Gross margin of Commission Agent= Rs. 36.75+10 = Rs. 46.75/-

Purchase price of wholesaler + Overcharges= Rs.525+10=Rs.545/-

Sale price of wholesaler = Rs. 575/8KG.

Gross Margin of Wholesaler =  $575 - 545 = \text{Rs. } 30/8\text{KG}$

Purchase price of retailer = Rs. 575/8 Kg

Mark up on the amt. received by supplier=  $(575 / 488.25) - 1 = 0.1777$

Sale price of retailer:

1. At high income area @ Rs. 100/KG=  $100 \times 8 = \text{Rs. } 800/8 \text{ KG.}$

Mark up on the amt. received by supplier=  $(800 / 488.25) - 1 = 0.6385$

2. At middle income area @ Rs. 90/KG=  $90 \times 8 = \text{Rs. } 720/8 \text{ KG.}$

Mark up on the amt. received by supplier=  $(720 / 488.25) - 1 = 0.4746$

3. Outside the mandi @ Rs. 80/KG=  $80 \times 8 = \text{Rs. } 640/8 \text{ KG.}$

Mark up on the amt. received by supplier=  $(640 / 488.25) - 1 = 0.3108$

### **Marketing Margin for Peaches, F&V Mkt. Ravi Link Road, Lahore**

Auction price of peaches (VIP Grade) = Rs.470/crate of 8 KG.

Commission and other charges - all inclusive @ 7% = Rs.33/-

Amount received by supplier = Rs. 437/-

Overcharges by the Com. Ag. From Wholesaler =Rs. 10/crate

Gross margin of Commission agent= Rs. 33+10 = Rs. 43/8 KG

Purchase price of wholesaler + overcharges= Rs.470 + 10 = Rs.480/-

Sale price of wholesaler = Rs. 510/8KG.

Mark up on the amount received by supplier =  $(510/437) - 1 = 0.1670$

Purchase price of retailer = Rs. 510/8 Kg

Sale price of retailer:

1. At high income area @ Rs. 95/KG=  $95 \times 8 = \text{Rs. } 760/8 \text{ KG.}$

Mark up on the amount received by supplier =  $(760/437) - 1 = 0.7391$

2. At middle income area @ Rs. 80/KG=  $80 \times 8 = \text{Rs. } 640/8 \text{ KG.}$

Mark up on the amount received by supplier =  $(640/437) - 1 = 0.4645$

3. Outside the mandi @ Rs. 75/KG=  $75 \times 8 = \text{Rs. } 600/8 \text{ KG.}$

Mark up on the amount received by supplier =  $(600/437) - 1 = 0.3730$

### 3.12 Principal Findings

On the basis of information obtained during the Rapid Market Appraisal, from suppliers to the market, which include farmers, traders, and preharvest contractors, and from buyers of the market, which include retailers, consumers, restaurants, processors, and vendors/suppliers to restaurants, some principal findings were made which are summarized below:

- a) Central Mandis in cities such as Lahore, Faisalabad, and Rawalpindi/Islamabad are serving an essential function as wholesale terminal marketplaces—bringing multiple buyers and suppliers together, clearing the market each day, and establishing reference prices.
- b) Mandis in smaller districts serve as wholesale marketplaces, and sometimes as seasonal collection centers for vegetables in which the region specializes. Fruits, on the other hand, are usually handled in full truckloads and shipped directly to terminal Mandis in destination marketplaces.
- c) Most buyers at fruit and vegetable Mandis are retailers. Some consumers also shop at Mandis. Other buyers include traders that ship produce for resale in other wholesale markets in the region and stockists that store less perishable products such as potato and apples for future resales.
- d) Most retailers obtain fruits and vegetables from Mandis. But for more discerning retail outlets, including restaurants, quality is a serious concern. Time and logistical difficulty in purchasing products from the Mandis is a problem for all buyers, primarily due to congestion. Many also mention unsanitary conditions.
- e) The current policy framework and organization of marketplaces scarcely consider the wholesaler and retailer, including requirements for access, space and infrastructure requirements. Areas between the trading platform and main access road are congested, while the area from the trading platform to the back of the market is underutilized.
- f) The inefficiencies of Mandi organization are passed on to retailers as hidden costs or higher transaction costs due to the time spent on purchasing products and variations in quality that cause uncertainty about shelf-life.
- g) Fruit suppliers at central Mandis are primarily pre-harvest contractors and traders. Farmers who grow vegetables in the regions near the city are often present, but not those who ship their fruits from long distances.
- h) Commissions of 5 to 10% are collected from suppliers, which has a direct impact on prices paid to farmers as contractors pass on their costs of operations, transport and commission back to farmers.

- i) Charges of commission agents cover a number of services, including recovery of the cost of capital advances made to contractors. Amounts of capital in advances to contractors are an essential service and are given in significant amounts.
- j) Markups of over 18% are common in wholesale markets, and another markup of 30-50% is added from the retailers to the final consumer. Little of the wholesale markup is captured for the operation of marketplaces.
- k) The current framework holds back the development of value chains. The frustration of buyers such as groceries, department stores, upscale shops, restaurants and others with difficulty obtaining quality products, provides ample evidence that business opportunities exist in high value markets.
- l) Specialized suppliers/distributors sometimes link farmers and high-value market outlets through a value chain approach. But most operators in the market, including pre-harvest contractors and wholesalers, have not considered alternative approaches.
- m) Processors also face difficulties in obtaining the quality they require. Some scattered alternate channels are working to supply to processors and crushers in bulk.
- n) One of the primary stakeholders—small growers in the form of independent farmers, tenants or leaseholder/contractors—seem to be silent. Individually at the Mandi and elsewhere, growers express frustration regarding the market system and control of commission agents, but farmer organizations are apparently incapable of representing growers to formulate a position and participate in policy dialogue.
- o) The current system intends for each Market Committee to be self-financing. Fruit and Vegetable Mandis depend on commission agents to collect fees based on volume. Despite the teams of inspectors that follow up with commission agents to ensure that declarations are accurate, not all transactions are reported. Market Committees that depend on fruit and vegetable Mandis often cannot cover costs.
- p) Another system employed is to collect fees from suppliers before produce is unloaded and auctioned. But again, only a portion of the operating costs is covered.
- q) License fees are very low. Commissions are charged to suppliers and fees and rental to wholesalers and retailers, while dealers that control market space pay little.
- r) Lots offered for auction are very small, sometimes less than a single wholesaler or retailer would require. Multiple transactions of tiny lots increase revenue to commission agents, who charge buyers 5 to 10 Rupees for each lot auctioned. When lots contain many items such as crates, the Rs 5-10 fee is charged on each item.





